

Leading The Way

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TEAM SCHOSTAK FAMILY RESTAURANTS INTRODUCED THE WORLD'S ONLY

APPLEBEE'S/IHOP

CO-BRANDED RESTAURANT

TEAM Schostak Family Restaurants (TSFR) is Michigan's largest family-owned, multi-brand restaurant group. The Schostak family has deep roots in Michigan with an umbrella of companies that make up Schostak Family Enterprises. Since 1920, the family has been involved in real estate development, management, leasing and consulting. Today, TSFR, the family's restaurant division, operates 65 Applebee's Neighborhood Grill + Bar, 26 Olga's Kitchen, 11 MOD Pizza and five Del Tacos restaurants, as well as the world's only co-branded Applebee's Grill + Bar/IHOP concept.

DIVERSE PORTFOLIO

TSFR started in 1981 as a Burger King franchisee in Alpena, a small town in northern Michigan. The family had been managing a shopping center there, when Burger King Corp. approached the Schostaks about a franchise opportunity. The family was looking to diversify its real estate business and the opportunity was a good fit. The one Burger King restaurant grew to 60 throughout Michigan.

In 2005, TSFR added Del Taco to its portfolio, and in 2012, it acquired 65 Applebee's restaurants. In 2015, it entered into a franchise partnership with MOD Pizza, acquired Olga's Kitchen, and after partnering with Burger King for 34 years, TSFR sold the restaurants to GPS Hospitality.

"Based on the success of Taco Bell in Michigan, we brought Del Taco to the state to build the brand, just like we did with Burger King. Del Taco offers superior food with fresh from scratch ingredients," said Barb Pasciak, Director of Marketing at TSFR. "TSFR also wanted to diversify and enter the pizza space. MOD Pizza ties into our core values and business operations."

"We always had an interest in acquiring Olga's Kitchen, and when an opportunity to add it to our portfolio in 2015 surfaced, we seized it," said Howard Hardy, Director of Marketing for Olga's Kitchen. "We're not a franchisee; we're the franchisor. Olga's Kitchen fits our culture, and it's an iconic brand in Michigan."

Multi-brand franchisees must lead with the brand identities but also find ways to promote themselves. In every TSFR restaurant, guests encounter signs that say, "Proudly owned and operated by TSFR." The signs effectively build a local relationship with each guest coming through TSFR's restaurant doors.

"People may look at Applebee's as a chain restaurant, but in Michigan, it is also known as a TSFR Applebee's—a locally owned and operated restaurant," Pasciak said. "We're out in the

community, volunteering with charities, representing our brands and TSFR to bridge the gap and become a fabric of each community we serve.”

As the franchisor of Olga’s Kitchen, the concept enjoys more autonomy, such as menu development—the brand has an executive chef—LTOs, marketing, fundraising, and campaign and TV ad creations.

Though Pasciak and Hardy work for different brands, they have opportunities to collaborate; for example, on researching and rolling out delivery service providers.

“Sometimes the franchisee leads the franchisor,” Hardy said.

A diverse multi-brand portfolio also means there are different approaches to facility maintenance.

At Applebee’s, Greg Fuchs, CRFP, serves as the facilities manager, overseeing capital projects, equipment and building repairs, preventive maintenance, as well as the Corrigo work order system and an equipment database. He also works with a director of facilities, who is responsible for new construction, remodels, large projects and capital spending. A maintenance technician completes a wide range of repairs for 12 locations.

“For the first 18 years at TSFR, I was on the operations side with Burger King and Del Taco,” Fuchs said. “When I transitioned to facilities, I needed to adopt a different mindset, and I was able to do that by leveraging the training and growth resources offered by TSFR. There’s more to watch out for in casual dining versus quick serve, and there were more things I didn’t have to worry about on the operations side that are now focal points, such as rooftop units and roof upgrades and getting those items addressed while balancing budgets and capital expenditures. Working in facilities makes you appreciate the operations side, and I want to provide them with a seamless experience.”

Fuchs said joining RFMA was instrumental in helping him excel at his role within facilities.

“I joined RFMA in 2016 and attained the CRFP last year, which gave me a jumpstart,” he said. “It allowed me to participate in peer-to-peer calls and ask intelligent questions. The members were very patient and willing to share knowledge. Now, I share my experiences during peer-to-peer calls. It’s my way of giving back and helping people through the same steps I was going through when I first started in facilities.”

Rick Loftus, Director of Facilities for Olga’s Kitchen, started his career as a carpenter for the brand after high school in the 70s. He became the general contractor for the brand in the 80s, traveling and building units and becoming friends with the founder, Olga Loizon. When the director of facilities retired, Loftus stepped into the role. Today, he budgets for new construction and remodels, continues to act as the general contractor on new builds, remodels, projects, rollouts, equipment and contracts vendors for building repairs and preventive maintenance. When repairs or maintenance is needed, general managers can approve repairs up to \$600, area directors up to \$1,500, which expedites emergencies, and Loftus approves anything over \$1,500.

MOD Pizza and Del Taco have a development manager, Ryan Jones, who is primarily responsible for new construction, remodels, large projects, equipment/building repairs but also serves as a facility contact for the restaurants.

Small-town Roots

TSFR honed its restaurant acumen in small towns, where it learned three important business lessons. First, delighting guests creates a great reputation in town. Second, small towns don't enjoy the same sales volume as major markets—up to 35 percent less. Keeping a close eye on profit and loss statements is necessary. Lastly, engaging with the community—being involved and raising money for important local causes—helps build great relationships.

The early business lessons helped pave the way for the company's vision: Lead the Way. The company strives to be an industry leader in all facets of the business.

Leading the way requires a talented team that embraces the vision at all levels—beginning with leadership and cascading down to every team member—within the organization. That's why there is a rigorous selection, development and recognition process.

"There's a strong emphasis on training programs," Pasciak said. "We invest in our workforce by teaching business skills that last a lifetime. Our Executive Chairman Mark Schostak says, 'The whole person comes to work,' and we take care of that whole person. Teaching our team members how to be successful is one of our priorities. We're creating jobs with great career paths."

There are also tuition-reimbursement programs and a TSFR Care Fund in which employees can donate a portion of each paycheck to help team members during times of need.

The company follows five core values that were inspired by the mission statement: Our People, Delight our Guests, Community, Act with Integrity and Achieve Results.

It's the culture that has kept team members like Fuchs and Pasciak there for 22 and 18 years, respectively.

"A company's culture is a must for me," Fuchs said. "If we weren't aligned, I would've found another place to work. Acting with integrity is high on my list personally."

"Culture is a crucial part of our success and how our team grows," Pasciak said. "We're in business to help employees and be involved in our community. We put our people first."

Innovating Dining

The world's only co-branded Applebee's/IHOP restaurant opened in downtown Detroit in Spring 2018.

On the ground floor of the Courtyard by Marriott Detroit Downtown hotel, the 12,000-square-foot space includes an Applebee's dining room, IHOP dining room, full-service bar, as well as a quick-service breakfast stand called Coffee Bar by IHOP. There's also a lounge area with fireplaces, traditional and community tables and meeting spaces.

"We wanted to serve a breakfast, so we approached Dine Brands for approval to incorporate IHOP with Applebee's," Pasciak said.

IHOP's breakfast is served all day. At 11 a.m., Applebee's offers its menu. The restaurant opened with a limited menu to effectively serve guests. The team listened to guests and added more fan favorites with the notion that TSFR could execute those menu items at a high level and in alignment with its food-quality standards held across its entire portfolio of restaurants.

It is a unique space, concept and experience for TSFR.

Due to a variety of factors that are commonly associated with projects of this scope and size, the project fell behind schedule. To get it back on track, Loftus was asked to help on the project. Though he was in the middle of an Olga's Kitchen restaurant build, with more builds and remodels scheduled, he jumped right in and helped get the project back on schedule.

"Rick's experience as a general contractor, and the vendor partners he brought in, were critical to the Applebee's/IHOP opening this past May," Fuchs said.

Maintaining the restaurant requires Fuchs to think of new ways to get things done. In a traditional Applebee's, overnight work typically begins at midnight and can end as late as 10 a.m. But this location closes at midnight and opens at 6 a.m., which means crews can only work between 1 and 5 a.m. The condensed schedule requires more planning and coordination.

Hotel guests also must be considered.

"We found the drains were old and required overnight work to remedy," Fuchs said. "We can't be too loud because guests are on the eighth floor. The crew was replacing floor tiles using a hammer drill, which created a less-than-desirable experience for the hotel that had to be addressed so as not to adversely impact the hotel's operation."

Fuchs said being on the ground floor increases the potential for unforeseen issues impacting the restaurant.

Recently, an exhaust fan failed in the hotel's communication room, which housed phone and internet equipment. The heat build-up set off a sprinkler head on the sixth floor. The water traveled down to the boardroom on the ground floor. The hotel facilities team worked with Fuchs' team to dispatch a recovery company. Phone and internet services were restored the next day, and the boardroom was usable after two weeks.

"I'm sure there are other challenges we don't even know about yet that we will have to overcome," he said.

Preventive maintenance requires a different approach as well. "The air handlers, for example, are in the front of the house, above the ceiling," Fuchs said. "Normally they are serviced during the day on the roof, but now we're servicing them overnight."

The joint concept has provided everyone involved with a unique learning experience, one that Fuchs is proud to have been part of.

"I hope we have the opportunity to open more co-branded restaurants because we have learned so much with this one," he said. "We will continue to perform very well if we open another one. I like a good challenge. TSFR is part of downtown Detroit's revitalization. It was the perfect opportunity to show what great brands TSFR, Applebee's and IHOP are."

"The journey of bringing the only Applebee's Grill and Bar/IHOP concept to life is a testament to TSFR's reputation for leading the way in the restaurant industry with innovative dining concepts," said TSFR Executive Chairman Mark Schostak in a news release. "By combining these two iconic and complementary brands, we have created a truly welcoming, family-friendly neighborhood restaurant that will further elevate the dining options within the City of Detroit. As we look toward the future, TSFR remains committed to the City of Detroit and Michigan as we strategically continue our growth."

Beyond Michigan

The Schostak Family Enterprise is in its fourth generation of success in real estate and restaurants. Though TSFR is primarily a Michigan company, there are plans to move beyond the state and even beyond food. The nimble company, with a clear roadmap for success, is open to all opportunities that make sense for the family and the brand.